REVIEW RESOURCES

Lesson 2: Systems Acquisition Management: An Introduction

Program Management Offices

Program Management Offices (PMOs) manage the acquisition of defense systems that support the warfighters. Many members of the acquisition workforce are connected, whether directly or indirectly, to a PMO.

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Acquisition Program Management

Acquisition Program Management in DOD is very similar to management in the private sector. There is great pressure today on the DOD and the entire Federal Government to conduct its acquisition business more like the private sector by using more effective planning, staffing, organizing, controlling, and leading. In addition to following sound business management practices, DOD managers must:

- Ensure that public funds are being used prudently.
- Accomplish a mission rather than make a profit.
- Promote social welfare considerations (e.g., small and disadvantaged businesses).
- Ensure that all Government regulations (e.g., environmental) are followed.

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Systems Acquisition Management

Systems Acquisition Management within DOD is the process used to acquire quality products. The primary objectives of this process are to:

- Satisfy the needs of operational users.
- Provide measurable improvements in mission capabilities.
- Acquire products in a timely manner at a fair and reasonable cost.

Systems

A system includes all of the elements (e.g., hardware, software, logistics support, personnel) needed to assist DOD in conducting its mission of deterring or winning war.

Acquisition

Acquisition includes:

- Determination of need
- Research, development, test, and evaluation
- Production

- Deployment/Fielding
- Operations and support
- Plan for disposal

These actions provide a logical means of and phases for translating user needs into operationally effective, suitable, and survivable systems.

Management

Management includes the tasks (e.g., planning, budgeting, organizing, staffing, controlling, leading) required to accomplish a specified project.

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What Is Risk?

Think of risk as a way of measuring the potential that an event will result in a negative consequence. By doing so, risk can be seen as being comprised of two variables, probability and consequences. When assessing risk, a Program Manager must consider the probability that an event will occur and the consequences should that event occur.

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Risk Factors

Program Managers must assess and manage risk to ensure that DOD is acquiring optimum systems that meet all requirements. Successful acquisition management is more likely when the following risk factors are assessed and addressed:

- Cost
- Schedule
- Performance

Risk Factor Examples: Cost

Risks that could impact program costs include:

- Increases in material prices.
- Higher-than-anticipated labor rates.
- Other factors that can change current program cost estimates.

Risk Factor Examples: Schedule

Risks that could impact program schedule include:

- Late deliveries.
- Political pressure.
- Changing requirements (user needs the system sooner or user adds requirements).

Risk Factor Examples: Performance

Risks that could impact technical performance include:

- Use of new or exotic materials or processes.
- Use of unproven technology.

- Use of new applications to meet demanding user requirements.

Handling Risk

After assessing risk, Program Managers determine how best to handle it. Four strategies for handling risk are:

- Controlling risk
- Avoiding risk
- Assuming risk
- Transferring risk

These strategies can be used alone or in combination.

Strategy: Control the Risk

Controlling risk means lowering the chance that the event will occur by:

- Using multiple contractors.
- Conducting multiple tests.
- Using technology and processes proven to control the risk.

Strategy: Avoid the Risk

Avoiding risk means changing the source (element or constraint) that is subjecting the program to risk. Risk may be avoided by:

- Reducing the scope of performance objectives.
- Using more expensive materials or processes with proven track records.
- Extending the schedule to increase the probability of success.

Strategy: Assume the Risk

Assuming risk means planning for the potential consequences by:

- Accepting the risk.
- Putting a monitoring process in place.
- Taking future action (e.g., reserving funds, modifying schedules) if necessary.

All unknown or unidentified risks are assumed.

Strategy: Transfer the Risk

Transferring risk means having someone else take accountability for the risk. Risk can be transferred by:

- Using firm-fixed price contracts and warranties to transfer cost risk to the contractor.
- Assigning responsibility to the organization that is best suited to minimize the probability of a negative consequence.

Acquisition Authorities

The authority for DOD to conduct systems acquisition flows from the following principal sources:

- The Law
- DOD Acquisition Policy Documents
- Federal Acquisition Regulation

The Law

Statutory authority from Congress provides the legal basis for systems acquisition. Some of the most prominent laws are:

- Armed Services Procurement Act (1947), as amended
- Small Business Act (1963), as amended
- Office of Federal Procurement Policy Act (1983), as amended
- Competition in Contracting Act (1984)
- DOD Procurement Reform Act (1985)
- DOD Reorganization Act of 1986 (Goldwater-Nichols)
- Federal Acquisition Streamlining Act (FASA) of 1994

DOD Acquisition Policy Documents

DOD 5000.2-R

This DOD regulation establishes a simplified and flexible management framework for translating mission needs into stable Major Defense Acquisition Programs (MDAPs) and Major Automated Information Systems (MAISs). This regulation applies specifically to all MDAPs and MAISs and contains mandatory procedures and policies for these programs.

DODD 5000.1

This directive states the policies and principles that guide all defense acquisition programs. In addition, this directive identifies the DOD key acquisition officials and forums.

Federal Acquisition Regulation (FAR)

The FAR is the primary regulation for use by all Federal agencies for the acquisition of supplies and services with appropriated funds. The FAR guides and directs DOD Program Managers in many ways including acquisition planning, competition requirements, contract award procedures, and warranties.

DOD has supplemented the FAR to describe its own procedures. This supplement is called the DFAR.

Environmental Safety and Health Requirements

The Program Manager must ensure compliance with environmental safety and health regulations and laws. The goal of Environmental Safety and Health (ESH) is to eliminate, reduce, and control environmental impacts.

Two categories of environmental laws support the accomplishment of this goal:

- Procedural or "Future" laws
- Substantive or "Past" and "Present" laws

Procedural or "Future" Laws

Procedural or "Future" laws:

- Establish a planning process.
- Impose penalties that may delay programs.
- Assign compliance responsibility to the Program Manager.

Environmental impacts must be considered as an integral part of any acquisition planning effort. The major procedural law affecting DOD systems acquisition management is the National Environmental Policy Act (NEPA).

National Environmental Policy Act (NEPA)

The National Environmental Policy Act:

- Requires DOD to:
  - Evaluate how the development, testing, production, and disposal of a weapon system will affect the environment.
  - Design the system in such a way as to minimize any negative impact, before acquisition of that weapon is approved.
  - Assess all programs, regardless of size, to determine their effect on the environment.
- Gives the public the right to be informed and to challenge actions proposed by DOD that may have environmental impact.

Substantive or "Past" and "Present" Laws

"Past" laws apply to actions that have already happened or are ongoing. These laws deal with:

- Cleaning up the environment.
- Correcting past mistakes.
- Determining who is responsible for paying costs of contaminated sites.

"Present" laws are concerned with actions that are taking place now. These laws deal with controlling environmentally hazardous substances and activities.

Violation of these laws carries the risk of civil or criminal penalties. Actual compliance with many of these laws is up to the contractor. However, DOD officials can be held personally liable for violations of environmental laws.

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What Are Decision Support Systems?

DODD 5000.1 describes the integrated framework that is used for the management of all systems acquisition. This integrated framework is composed of three decision support systems that operate continuously and must interface on a regular basis to enable DOD leadership to make informed decisions regarding the best allocation of scarce resources.

1. Planning, Programming, and Budgeting System
2. Requirements Generation System
3. Acquisition Management System

Planning, Programming, and Budgeting System

The Planning, Programming, and Budgeting System (PPBS) is DOD's primary resource allocation process. The PPBS:

- Is a calendar-driven process used for securing funding for a major acquisition program.
- Offers the basis for informed affordability assessment and resource allocation decisions.
- Provides a formal, systematic structure for making decisions on policy, strategy, and the development of forces and capabilities to accomplish anticipated missions.

Requirements Generation System

The Requirements Generation System (RGS):

- Is driven by warfighting deficiencies or needs.
- Determines mission requirements and strategies for meeting those requirements.
- Provides the basis for establishing priorities.

Acquisition Management System

The Acquisition Management System (AMS):

- Is an event-driven process that emphasizes risk management.
- Involves the process of periodic review and approval of programs to progress into subsequent phases of the acquisition life cycle.
- Provides a streamlined management structure.
- Links milestone decisions to demonstrated accomplishments.